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Paulson sees U.S. housing downturn near end

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By Emily Kaiser

WASHINGTON (Reuters) - U.S. Treasury Secretary Henry Paulson said on Monday the U.S. housing market correction was "at or near the bottom" although it could be some time before an upturn.

"In terms of looking at housing, most of us believe that it's at or near the bottom," he told Reuters in an interview. "It's had a significant impact on the economy. No one is forecasting when, with any degree of clarity, that the upturn is going to come other than it's at or near the bottom."

Paulson added that global economic growth remained solid, and a resilient U.S. consumer and strong labor markets were underpinning the domestic economy.

"We are making this transition successfully (from) a growth rate that wasn't sustainable to one that is sustainable," Paulson said.

Asked about any spillover from the well-publicized problems in the subprime mortgage sector, Paulson acknowledged that excesses can build in benign economic periods with ample liquidity, which can lead to an erosion of standards.

"We've certainly seen it in a number of areas. Borrowers need to be wary of the risks they're taking on in times of low interest rates, particularly if they haven't fixed their rates. Lenders need to be wary," he said.

Recent jitters in financial markets stemming from troubles in the subprime sector of the mortgage market underscored the risks and can serve as a "call for vigilance," he added. Markets have been unsettled as two hedge funds at Bear Stearns ran into trouble with subprime bets that went bad.

Paulson, who was chairman of Goldman Sachs Group Inc. before taking the top Treasury post last year, said he monitored financial markets closely, and aside from the subprime situation, they remained healthy.

"Markets are volatile," he said. "I haven't seen a single thing that surprises me -- it's hard to surprise me."

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